

# City of Nashua

## Health Insurance Review



Presented By:  
Workplace Benefit Solutions  
April 8, 2014



# Agenda

- Healthcare Marketplace Update
- City of Nashua Results FY 2013
- Changes for FY 2014
- What the Future Holds

# Who We Are

A New Hampshire based Consulting and Brokerage firm that advises large Employers, School Districts and Municipalities in the design and implementation of innovative strategies for controlling benefit costs.

# Our Clients



# Intro to Insurance Acronyms

<b>HMO:</b>	Health Maintenance Org. (In Only, PCP)
<b>PPO:</b>	Preferred Provider Org. (In & Out, No PCP)
<b>CDHP:</b>	Consumer-Driven Health Plan
<b>PPACA:</b>	Federal Healthcare Reform
<b>HSA:</b>	Health Savings Account
<b>FSA:</b>	Flexible Spending Account
<b>PEPY:</b>	Per Employee Per Year
<b>PMPY:</b>	Per Member Per Year



# Annual Price Trends – 2014/15\*

## Expected Trend Factors for NH Major Insurers



- Anthem – 8.5%



- Cigna – 8.3%



- Harvard – 8.9%

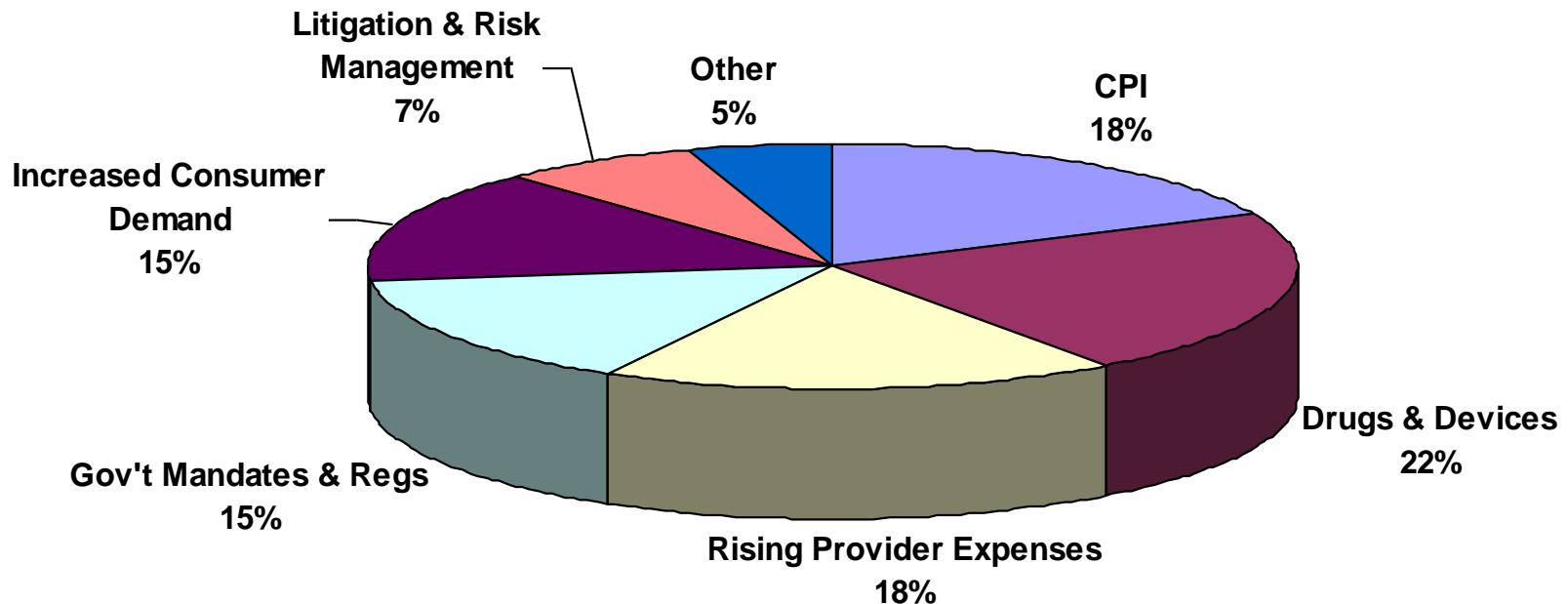


- Aetna – 9.1%

Trends are down from 10% to 12% over the last ten years  
Nashua FY 14 Renewal = 3%, Nashua FY 15 Renewal = 0%

# Drivers of Healthcare Costs

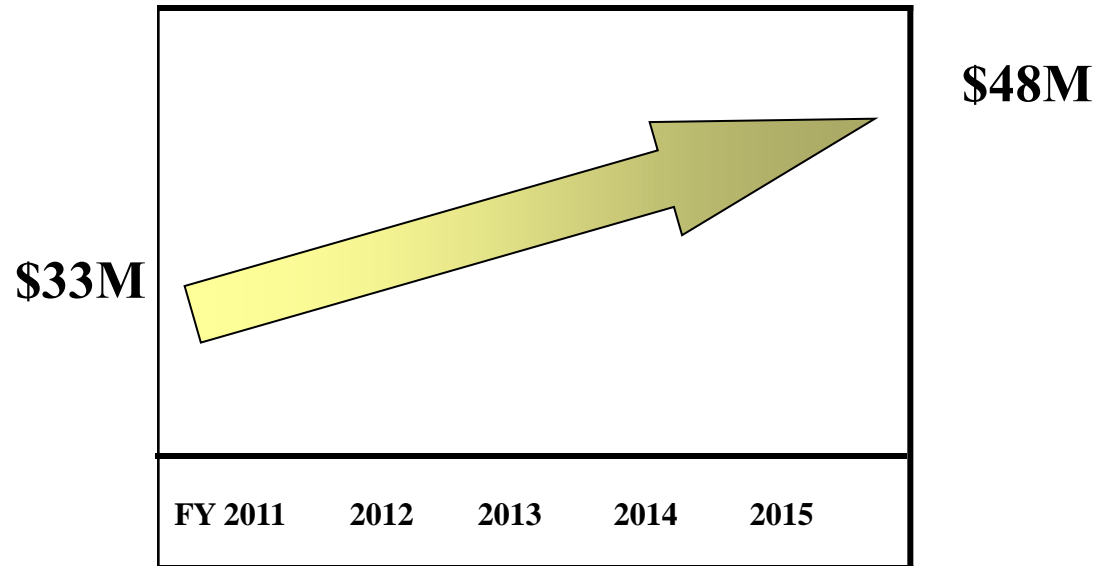
## What makes up Medical & Rx trend?



**Despite public perception, there is no one reason to blame for double digit premium trend!**

Source: 4/11 PWC Trend analysis

# ...and if we DID nothing, the cost would be



*10% projected annual compounded cost increases, or  
46% increase over four years.*

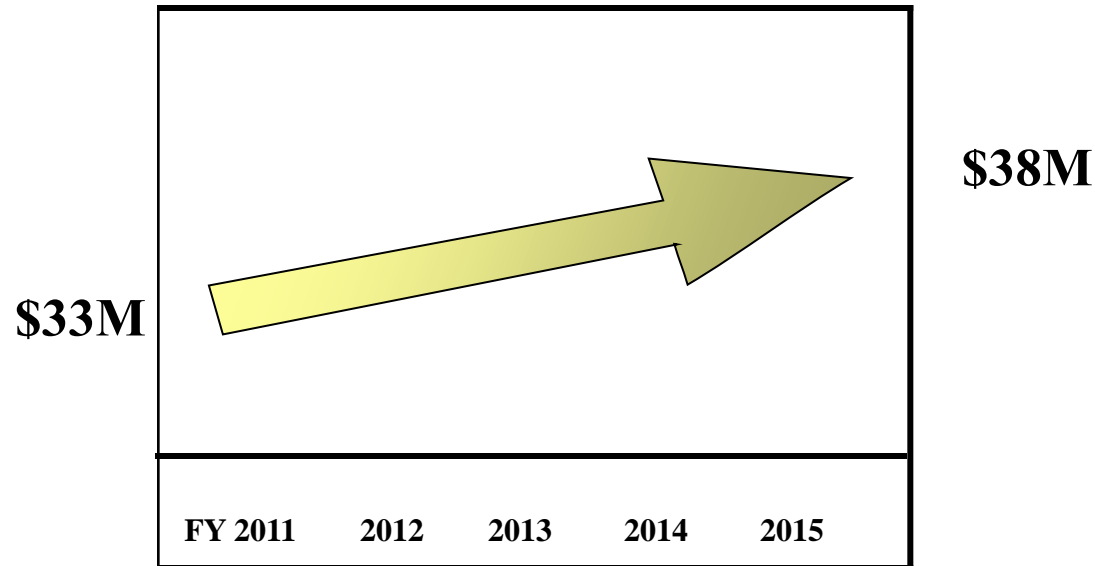
## How much is sustainable?



# We took action...

- 2011 & 2013 RFP for Medical Administrators
  - \$700,000 in Admn. Savings
- Benefit Design Changes
  - Office Visit Copay from \$10 to \$20
  - Inpatient Deductible from \$0 to \$250 Single/\$500 Fam
  - ER Copay from \$50 to \$100
  - Pharmacy Copay Changes
- Employee Contribution Changes
- Moved Post 65 Retirees to Medicare Advantage
- Wellness
- Education

...because we took action, the cost is



*3.3% annual compounded cost increases*

Can we do better ?

# Where are the Dollars Spent

City of Nashua

Medical Cost Analysis

07/01/12 - 06/30/13

	HPHC	Anthem	Total	
Medical Claims	\$4,412,410	\$21,803,672	\$26,216,082	75.0%
Pharmacy Claims	\$916,488	\$5,230,873	\$6,147,361	17.6%
Administration	\$271,771	\$1,032,703	\$1,304,474	3.7%
<u>Stop Loss Premium</u>	<u>\$210,651</u>	<u>\$1,054,043</u>	<u>\$1,264,694</u>	3.6%
Total Medical Costs	\$5,811,320	\$29,121,291	\$34,932,611	

**FY 2012 & 2013 Admn Fees \$51.27 PEPM**

**FY 2014 Admn Fees \$48.31 PEPM (\$80,000 Savings)**

# Impact of Large Claims

Claimant 1	Active	Ortho & Rheumatology	\$449,426
Claimant 2	Active	Nephrology	\$389,785
Claimant 3	Inactive	Malignant Neoplasm	\$299,541
Claimant 4	Active	Cardiology	\$265,978
Claimant 5	Active	Malignant Neoplasm	\$233,734
Claimant 6	Active	Neonatology	\$217,453
Claimant 7	Active	Malignant Neoplasm	\$216,843
Claimant 8	Inactive	Ortho & Rheumatology	\$191,723
Claimant 9	Active	Neurology	\$163,250
Claimant 10	Active	Neonatology	\$150,911
Claimant 11	Active	Malignant Neoplasm	\$145,418
Claimant 12	Inactive	Malignant Neoplasm	\$143,522
Claimant 13	Active	Malignant Neoplasm	\$143,171

13 Claimants = \$3.0 Million

# Emergency Room

- \*36% of Nashua's ER visits in the FY13 plan year could potentially have been redirected to less intense, less costly, more appropriate settings  
*(PCP Office, Walk In Center, Urgent Care Center, 24 Hour Nurse Line)*
- If members sought care elsewhere employees could have saved \$15,200 in out-of-pocket costs and Nashua could have saved \$130,000 in claim costs
- Anthem Standard ER copay \$150 - \$250
- HMO/POS copay of \$100 introduced in 2011 equates to 9% of the average cost of an ER visit

# Emergency Room

- We are making progress...
  - FY 2010 249 visits per 1000
  - FY 2011 220 visits per 1000
  - FY 2012 202 visits per 1000
  - FY 2013 192 visits per 1000

# In-Patient Admission

- Average cost per admission exceeds \$12,933
- For the 7/1/12 – 6/30/13 plan year the City of Nashua paid \$4.1M for 317 admissions
- The \$250 inpatient deductible introduced in 2011 equates to 1.9% of the cost of an inpatient admission

# Prescription Drugs

	7/09-6/10	7/10-6/11	7/11 -6/12	7/12-6/13	Current NH BOB
Plan Costs PMPM	\$106.13	\$112.60	\$117.73	\$107.35	71.36
Total Rx Plan Costs	\$6,138,847	\$6,683,249	\$6,903,145	\$6,406,162	
Generic Fill Rate	64.3%	68.1%	72.8%	78.6%	81%
Max GFR	84.0%	84.5%	86.1%	89.1%	88.8%
Savings est. for every 1% increase in GFR	\$92,082	\$100,214	\$132,000	\$148,934	



# Cost Share Comparison

	City of Nashua*	Customer #1*	Customer #2*	Customer #3*	Customer #4*	Customer #5 (Average Customer)
COST SHARE <i>Employer</i> <i>Member</i>	94.3% 5.7%	92.8% 7.2%	96.5% 3.5%	96.4% 3.6%	94.1% 5.9%	80.7% 19.3%
Emergency Room Visit	\$100	\$150	\$50	\$100	\$100	\$150 + deductible & coinsurance
Prescriptions <i>30-day retail</i>	\$5/15/35	\$10/30/50	\$5/15/25	N/A	\$5/15/25	\$10/30/50
Inpatient Admission	\$250	\$250	\$0	\$0	\$0 - \$500	Subject to \$2000 deductible + 10% coinsurance
Office Visits <i>PCP</i> <i>Specialist</i>	\$20 \$20	\$20 \$30	\$5 \$5	\$15 \$30	\$20-\$25 \$20-\$25	\$25 \$50

\* Bargained Municipal / Educational customers

# Changes for FY 2014

- Performed Bid of Medical Administrators
  - Continued with Two Administrators
  - Increased Pharmacy Rebates (100% = \$56,000)
  - Reduced Administrative Costs (- \$80,000)
  - Secured additional Wellness Funds (\$40,000)
- Implementing High Deductible Plan w HSA
  - \$2,000 Single/ \$4,000 Family Deductible Plan
  - \$1,500 Single/ \$3,000 Family HSA fund
  - 15% less costly than the HMO

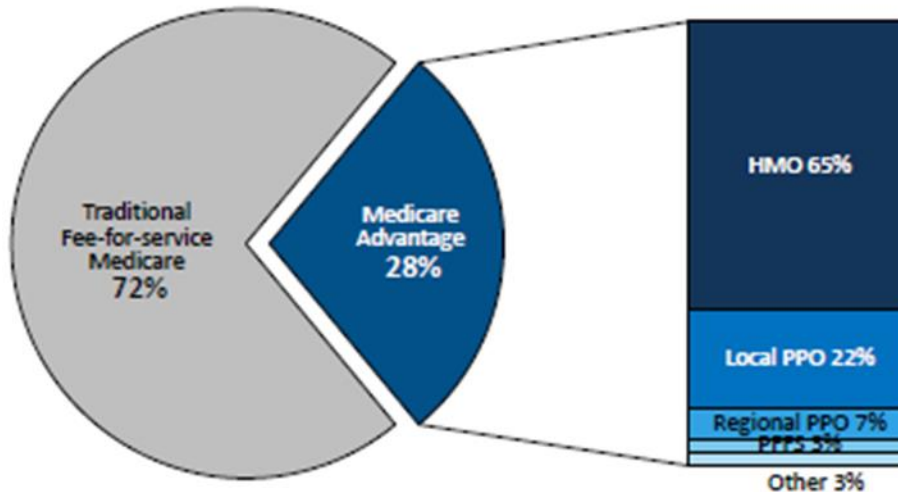
# Changes for FY 2014 – Cont...

- Post 65 Retiree Coverage
  - 2 Fully Insured Plans
  - 1 Self Funded Plan
  - Consolidated to 1 Fully Insured Medicare Advantage Plan
  - Savings of 20% to 50%
  - Transferred Claim Liability from Nashua to Anthem

# Medicare Advantage

Exhibit 2

## Distribution of Enrollment in Medicare Advantage Plans, by Plan Type, 2013



Total Medicare Advantage Enrollment, 2013 = 14.4 Million

NOTE: PFFS is Private Fee-for-Service plans, PPOs are preferred provider organizations, and HMOs are Health Maintenance Organizations. Other includes MSAs, cost plans, and demonstration plans. Includes enrollees in Special Needs Plans as well as other Medicare Advantage plans.  
SOURCE: MPR / KFF analysis of the Centers for Medicare and Medicaid Services (CMS) Medicare Advantage enrollment files, 2013.



- 11M enrolled in Medicare Advantage (MA) plans in 2010, including more than a half a million members in Anthem Blue Cross and Blue Shield affiliated health plans

- 12.6M enrolled in MA plans in 2011 accounting for 26% of total enrollment, up from 24% in 2010\*

- Over 15M currently enrolled according to CMS

# Medicare Advantage Quality

## MA plans promote wellness

- SilverSneakers participants had significantly fewer inpatient admissions and lower health care costs than a control group\*

MA plans help improve chronic conditions, which is important since 20 percent of Medicare beneficiaries have five or more chronic conditions

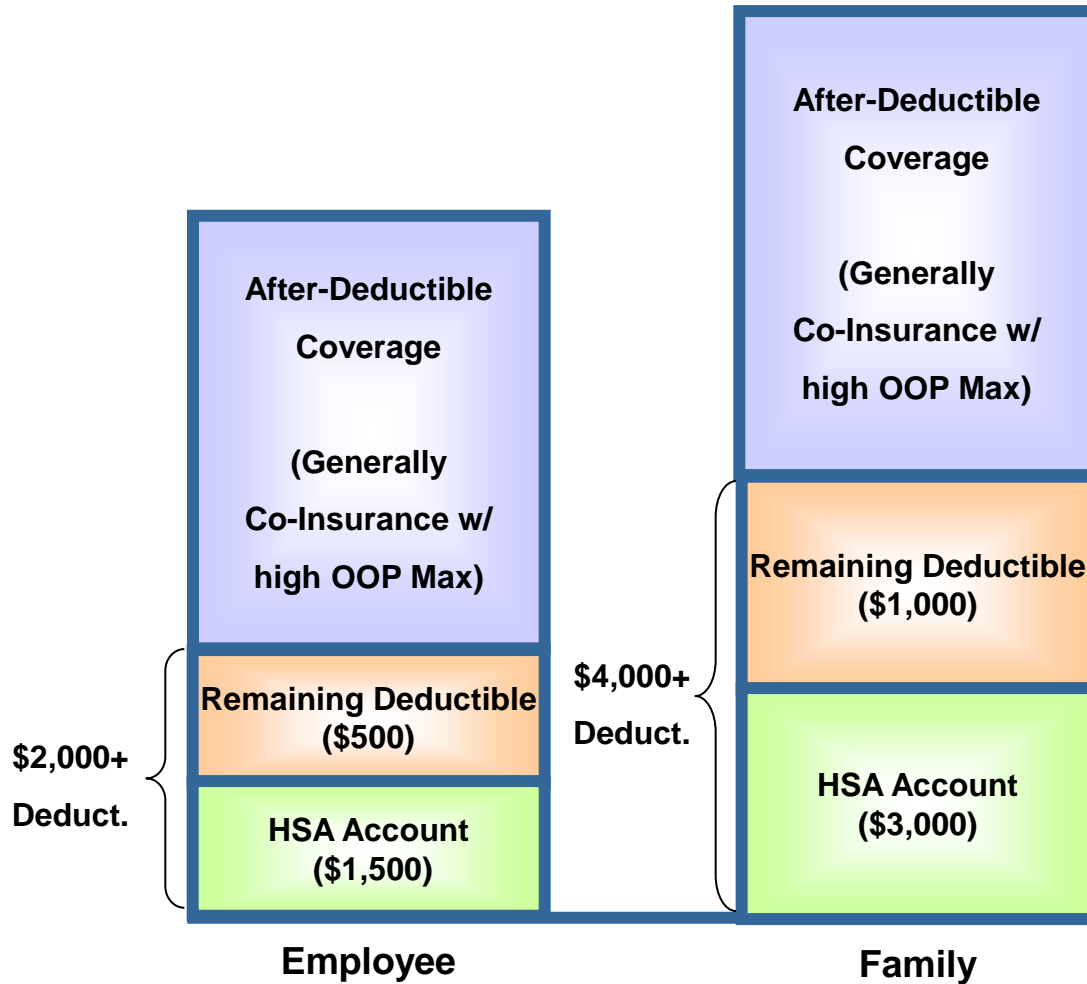
- MA plans reduced inpatient hospital stays by 20 percent\*\*
  - MA reduced emergency room visits by 24 percent\*\*
  - MA reduced hospital readmissions (costing up to \$14 billion annually, according to CMS ) by 39 percent\*\*
- 2008 CDC Study (MA compared to original Medicare PFFS)
- \*\*Dec 2009 AHIP Study - [www.ahipresearch.org/pdfs/MAvsFFS-CO9and10.pdf](http://www.ahipresearch.org/pdfs/MAvsFFS-CO9and10.pdf)

# Why are CDHP's a part of the solution?

- Employees are not incentivized to use the most effective and/or efficient providers.
- For employees, cost = co-pays & deductibles, not reflective of the changing underlying costs.
- Quality/Value in healthcare is difficult to quantify.
- CDHP's are an attempt to interject consumerism back into healthcare.
- CDHP may be attractive for early retirees given the vulnerability of the State retiree subsidy.
- CDHP Trends are a third less than traditional



# HSA Plan Design Example



## High Deductible Health Plan (HDHP)

- Preventive Care covered at 100%
- An HDHP is required for an HSA
- Deductible of \$2,000 Single / \$4,000 Family
- HSA Contribution on \$1,500 Single/ \$3,000 Family
- Rx subject to deductible

# Cost of Services

Example: Normal newborn delivery\*



Provider	Number of Patients	Median Charge	Median Contract Rate (allowed)	Reduction from Charges
CATHOLIC MEDICAL CENTER	0-50	\$10,156	\$4,823	53%
SOUTHERN NH MEDICAL CENTER	50-100	\$10,419	\$6,839	34%
ST JOSEPH HOSPITAL	0-50	\$10,926	\$7,166	34%
PARKLAND MEDICAL CENTER	0-50	\$13,892	\$7,998	42%
ELLIOT HOSPITAL	50-100	\$12,482	\$8,329	33%
CONCORD HOSPITAL	0-50	\$13,977	\$8,599	38%

\*Taken from 2010 data from [nhhealthcarecost.org](http://nhhealthcarecost.org)



# Federal Healthcare Reform –Timeline

## 2013

- Health FSA limit \$2,500 per year (CPI'd)
- Required W-2 disclosure of the value of health care coverage

## 2014

- Individual & Employer Coverage Mandate
- Health Insurance Exchanges\* go live?
- Individual Health Care Tax Credits
- Group Health Insurance Taxes (\$63 PMPY, \$1 PMPY)
  - Estimated to add \$270,000 to the cost of the Health Plan

## 2018

- High Cost Plan Excise Tax (Cadillac Tax)
  - 40% Tax on plans that exceed \$10,200 Single & \$27,500 Family.

# Healthcare Reform –Cadillac Tax

					At 8% Estimated Annual Increase	At 4% Estimated Annual Increase
Estimated premium calendar year 2018					\$49,366,473	\$43,234,225
Estimated 2018 Cadillac Tax threshold					\$48,131,800	\$48,131,800
Taxable Amount					\$1,234,673	\$0
40% tax applies					40%	40%
Estimated 2018 CY Cadillac Tax					\$493,869	\$0
Notes and Assumptions:						
1. The above estimate is based on limited information available as of today. It is expected the ACA will release definitive information as we approach 2018.						
2. Estimated premium for calendar year 2018 is calculated using current enrollment and premium equivalents, trended at 8% and 4%.						
3. Both Anthem and HPHC populations are included in the above analysis.						
4. Estimated 2018 Cadillac Tax threshold is calculated by applying current single and non-single enrollment to the single and non-single thresholds of \$10,200 and \$27,500 respectively.						
5. Annual increase would need to be 7.2% or less to avoid the Cadillac Tax.						

# Next Steps

- Continue to educate the different constituents on the challenges of mitigating health insurance cost increases.
- Continue to evaluate the new plan options that become available in the market, and integrate into the strategy as appropriate.
- Continue to manage the City's exposure to increasing health insurance costs and the growing complexity of Federal Healthcare Reform.

# Questions?